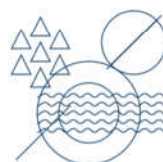
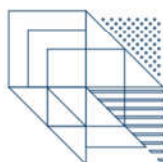
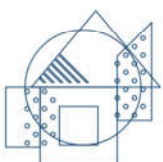




# MASTERPLAST PLC. CONSOLIDATED MANAGEMENT AND BUSINESS REPORT 2019





Company registration number: 07-10-001342

Tax number: 13805300-4-07

Company: Masterplast Nyrt.

Company address: 8143 Sárszentmihály, Árpád u. 1/a.

# CONSOLIDATED MANAGEMENT AND BUSINESS REPORT

Business year: 01/JAN/2019 – 31/DEC/2019

Sárszentmihály, 23 April 2020



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CEO

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Introduction

This annual report presents an analysis of the Corporate Group's results and all other information necessary to evaluate its operation, including the directions of expected development along with the associated risks, and the introduction of the management, research and development activities and corporate social responsibility.

Ownership

Masterplast Nyrt. is a business organisation that was established by its private individual owners for trading purposes in 1997.

Distribution of shareholder equity:

- 14 601 279 registered ordinary shares each with a face value of HUF 100

Shares are issued in the form of dematerialised shares.

ISIN identification number: HU0000093943

Owner's name	2019	2018
Tibor Dávid	454 805 700 Ft	476 707 600 Ft
Ács Balázs	387 725 900 Ft	409 627 800 Ft
OTP Alapkezelő	93 518 400 Ft	97 872 700 Ft
LPH Kft., SOH Kft.	77 967 600 Ft	77 967 600 Ft
Nádasi Róbert	3 386 400 Ft	3 386 400 Ft
Additional minority owners	424 844 100 Ft	393 384 100 Ft
Repurchased shares	17 879 800 Ft	1 181 700 Ft
<b>Total:</b>	<b>1 460 127 900 Ft</b>	<b>1 460 127 900 Ft</b>
	<b>(5 503 939 EUR)</b>	<b>(5 503 939 EUR)</b>

Source: data from the Company's management information system

In early 2011, the Company decided to go public in order to raise capital on the capital market to achieve its medium-term plans and to change into a publicly listed company.

Accordingly, its conversion into a publicly listed company was registered on 20 April 2011 and it was technically introduced to the Budapest Stock exchange on 29 November 2011. In 2012 the Company raised capital of EUR 6.1 million with two share issuance transactions, which broadened its ownership structure.

## MASTERPLAST PUBLIC LIMITED COMPANY

### Voting rights and voting

Every ordinary shareholder is entitled to one vote. Only the shareholders registered in the share register before the General Meeting entitled to take part at the General Meeting with a voting right.

The General Meeting passes its decisions with simple majority of votes, except when a three quarters majority of the submitted votes is required for a decision under the Act on Business Organisations.

If the General Meeting decides to change a decision made by the Board of Directors, the decision modifying the original decision is only valid subject to approval by the shareholders in attendance.

### Data of own shares

At the balance sheet date, the Corporate Group had 178 798 repurchased dematerialised own shares.

### Board of Directors

The **Company's** final decision-making body except in matters that are within the general meeting's competence. Its activities are governed by the **Company's** Statutes, the general **meeting's** decisions and the effective laws.

Pursuant to the Statutes, the Board of Directors comprises five members elected by the Annual General Meeting.

Members of the Board of Directors on 31 December 2019:

- Dávid Tibor – Chairman
- Balázs Ács – Deputy Chairman
- András Kazár – Independent member
- Dr György Martin Hajdu – Independent member
- Dirk Theuns– Independent member

### Audit Committee

The General Meeting and the independent members of the Board of Directors have created a three-member Audit Committee to carry out the powers defined in the Company Act and the Capital Market Act.

Members of the Audit Committee:

- Dr György Martin Hajdu
- András Kazár
- Dirk Theuns

The Audit Committee is responsible for:

- a) commenting on the annual report drawn up according to the accounting act;
- b) making recommendations on the identity and remuneration of the Auditor;
- c) preparing the contract to be concluded with the Auditor and signing the contract on behalf of the publicly traded company based on the powers conferred by the Statutes;
- d) monitoring the professional requirements that apply to the Auditor and adherence to conflict of interest requirements, performing functions related to cooperating with the Auditor and, if applicable, recommending measures for the Board of Directors;
- e) evaluating the functioning of the financial reporting system and recommending necessary measures;
- f) assisting the Board of Directors in its work for the sake of adequate control of the financial reporting system;
- g) supervising and managing internal audit work.

#### General Meeting

The **Company's** topmost body is the General Meeting consisting of all shareholders. The annual general meeting is in charge, amongst other things, of accepting the annual financial reports and decisions on the utilisation of net profit, electing and withdrawing members of the Board of Directors, selecting the auditor, amending the Statutes and all other decisions that have a material impact on the **Company's** capital and which are conferred to the general meeting's exclusive competence under legislation or the Statutes.

## MASTERPLAST PUBLIC LIMITED COMPANY

### Subsidiaries

On 31 December 2019, the Masterplast Group is present on the region's construction industry market through several active subsidiaries in 8 countries and indirect participation through its subsidiaries.

Company name	Place of registration	Date of foundation
Master Plast S.r.o.	Slovakia	1999
Masterplast Romania S.R.L.	Romania	2001
Masterplast YU D.o.o.	Serbia	2002
Masterplast d.o.o.	Croatia	2002
MasterFoam Kft.	Hungary	2004
MasterPlast TOV	Ukraine	2005
Masterplast Sp zoo	Poland	2005
Masterplast Kft.	Hungary	2007
Green MP Invest	Ukraine	2012
Masterplast Hungária Kft.	Hungary	2016
Mastermesh Production Kft.	Hungary	2016
Masterplast International Kft.	Hungary	2016
<i>Indirect relationship:</i>		
Masterplast D.O.O.	North Macedonia	2002
<i>The Group's affiliated undertaking:</i>		
Masterprofil Kft.	Hungary	2006
T-CELL Plasztik Kft.	Hungary	2013

Source: data from the Company's management information system

Among the **Company's** former participations, Masterplast Österreich GmbH was sold in 2019.

The Company on 3 June 2019 acquired 24% ownership in T-CELL Plasztik Company with Limited Liability. The main activity of T-CELL Plasztik Kft. is a polystyrene manufacture, in its two plants in Hungary – in Hajduszoboszlo and Zalaegerszeg.

### Plans for expansion

The Company is not planning to establish subsidiaries in new countries in the near future, however, it does plan to increase its export sales activities overseen from the Hungarian headquarters primarily to European markets. This growth is fostered by the production growth seen in its existing fibreglass plants in Kál and Subotica and the announced production investments to increase capacity for the production of fibreglass and foam foil product lines.



## The impact of macroeconomic developments on the corporate group's activities

The external economic and industrial environment has a significant effect on the production and sale of the insulation and other construction materials, which are the main activities of the Masterplast. While the sale of the constructional and accessories products is mainly in relation with the new buildings market, the insulation related materials (primarily the heat insulation) depend on both the new building and home renovation markets.

The Masterplast in 2019 has faced with slightly moderated but mostly favourable trends and industrial climate in its country portfolio.

On the most significant Hungarian market according to the feedback of the market participants, the construction industry was strong, but moderately increasing. The positive construction mood which had started in 2016 is still going, and the building market has been featured by slowing but still substantial growing for the past months. At the two major groups of construction, both the buildings and other structures resulted in an increase, additionally the number of ongoing construction projects remained significant. The new housing construction numbers were on a downward trend, and the labour shortage also had a major impact on the performance of the construction industry, which was not only a sectoral problem but a national one. Due to the lack of professionals, there were slippages in residential and office buildings, as evidenced by the fall in the building handover number. Construction expectations remain positive for the next year, although final withdrawal of the VAT discount has effect on the starting of new investments, while the expanded "CSOK" started in summer can bring many new opportunities in the renovation market.

Based on the feedback from market participants, the construction market showed a mixed picture in Romania in 2019. In the second half of the year the demand improved mainly due to the government subsidies. The government increased the number of planned investments, the renovations and building insulation projects have started.

The economic development in Serbia continued in 2019. The National Bank maintained its price stability policy, creating favourable conditions for the economy. The construction activity increased. Not only the large investments but also the number of dwellings has increased, demonstrated by the growing number of building permits issued. The employment has also risen, while the unemployment rate reached its lowest level in the last five years.

In Ukraine, the building industry performed well and the value of the construction works in all categories largened on annual basis. The number of construction of residential buildings increased by 3%, while the number of non-residential buildings increased by 27%.

In Poland in H1 the economy continued to grow at an even lower rate, then in the second half of the year the construction industry slowed down. In the sector the output growth was smaller than expected, and the value of building and assembly work landed on a lower level. Rising wages and higher building material prices as well as the continuous labour shortage featured the market. The number of construction projects started increased, but the value of completed and handed over works decreased.

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In Slovakia, compared to the first quarter growth the construction output dropped. The demand declined and labor shortage was typical for the period. Real estate prices continued to be high and, according to market participants, a slight economic downturn is expected in the coming season.

The economic indicators have shown improvement in Croatia. The inflation and the unemployment decreased, while wages increased, and the expansion of the construction industry continued. The number of building permits issued decreased compared to the previous year.

The industrial production in North Macedonia increased, as did the value of construction work. The number of building permits issued also was higher compared to the last year, while property demand declined in H2 and there was labour shortage that associated with higher wages in the construction industry.

These developments are reflected by the EUROSTAT statistics on the number of home construction permits issued, which provides a percentage overview of the development in the number of construction permits per country compared to the previous year.

Percentage change in the number of construction permits 2016 - 2019:

Country	2016	2017	2018	2019
Croatia	33,1	34,9	-6,0	-3,1
Hungary	157,1	21,5	-3,2	-3,7
Poland	12,2	19,3	3,3	4,6
Romania	-1,2	7,7	2,6	-0,4
Slovakia	14,6	-8,6	11,4	-0,9
Serbia	26,0	34,0	9,4	29,1

Source: EUROSTAT: Building permits percentage change

## Developments in performance on business operations

## Overview of sales by product group

Sales by main product groups (thousands of EUR)	2019	2018	Change %
	(A)	(B)	(A/B-1)
Thermal insulation system	52 475	45 589	15%
Roofing foils and accessories	14 320	14 163	1%
Dry construction system	11 563	10 670	8%
Heat, sound and water insulation materials	13 450	13 110	3%
Building industry accessories	5 566	6 031	-8%
Industrial applications	9 730	7 777	25%
<b>Total sales revenue</b>	<b>107 104</b>	<b>97 340</b>	<b>10%</b>

Contribution of product groups in percentage to the total sales revenue		
Thermal insulation system	49%	47%
Roofing foils and accessories	13%	15%
Dry construction system	11%	11%
Heat, sound and water insulation materials	13%	13%
Building industry accessories	5%	6%
Industrial applications	9%	8%
<b>Total sales revenue</b>	<b>100%</b>	<b>100%</b>

Source: data from the Company's management information system

On an annual level, the **Group's** sales revenue grew by 10% to EUR 107 104 thousand.

Within the **Group's** sales revenues, thermal insulation system primarily accounted for the largest share (49%) and saw an overall 15% increase in year-on-year terms. The majority of sales revenue growth was driven by rising sales of fibreglass mesh in the European Union markets of the Group (in Hungary, In Romania, in Slovakia and in the Export countries). The **Group's** EPS sales also increased significantly, mostly in Hungary, but in all countries except Serbia the revenue was higher compared to the base. Turnover of accessory products (glue, profiles) also increased in 2019.

The turnover in roofing foils and accessories, the strategic area for the Group, increased by 1% compared to the 2018 base year. In terms of markets, the sales were different, on the Hungarian, Romanian, Polish and Croatian markets there was a growth, while in Serbia, Slovakia, Ukraine, North Macedonia and on the Export areas there was a decrease.

The **company's** turnover in dry construction systems grew by 8% in 2019 compared to the 2018 base year. The increase was due to the outstanding sales of gypsum profiles and slabs in the Hungarian market. To a lesser extent, but revenue also increased in the Ukrainian and North Macedonian markets, while in other countries it decreased.

In the heat, sound and water insulation materials product group there was a 3% turnover expansion compared to the previous **year's** base. There were different sales results in each market, the Group's turnover in the Hungarian, Serbian, Ukrainian and Croatian areas increased, while in the other countries the sales revenue decreased compared to the base.

## MASTERPLAST PUBLIC LIMITED COMPANY

Building industry accessories exhibited an 8% turnover drop compared 2019 to the base year. Although turnover increased in Ukraine, Poland, Slovakia, North Macedonia and on Export areas, but the loss of sales overall was larger in the other markets

The **Group's** industrial applications product group achieved a 25% turnover increase in 2019 compared to the base period. The sales of packaging related products showed a smaller scale decline while the non-strategic trade of raw materials was growing significantly compared to the base.

### Turnover by country

The breakdown of the sales by countries shows the revenue realized in countries where Masterplast has its own subsidiary, regardless of which subsidiary has sold in its country. For countries where there is no subsidiary of the Group, sales are reported on the Exports line.

Sales by countries (thousands of EUR)	2019	2018	Change %
	(A)	(B)	(A/B-1)
Hungary	42 629	35 447	20%
Export	17 324	15 708	10%
Romania	12 044	11 485	5%
Serbia	9 236	9 329	-1%
Ukraine	8 912	7 893	13%
Poland	6 834	7 327	-7%
Slovakia	4 759	4 712	1%
Croatia	3 811	3 782	1%
North Macedonia	1 555	1 656	-6%
<b>Total sales revenue</b>	<b>107 104</b>	<b>97 340</b>	<b>10%</b>

Contribution of countries in percentage to the total sales revenue		
Hungary	40%	36%
Romania	16%	16%
Export	11%	12%
Serbia	9%	10%
Ukraine	8%	8%
Poland	6%	8%
Slovakia	4%	5%
Croatia	4%	4%
North Macedonia	1%	2%
<b>Total sales revenue</b>	<b>100%</b>	<b>100%</b>

Source: data from the Company's management information system

The **group's** turnover increased by 20% in 2019 on the Hungarian market, its largest market, compared to the base previous year. Except for the building industry accessories, the **Group's** turnover increased in all product groups. There was notable performance in thermal insulation system products and in the dry construction system products compared to the base period.

Sales turnover grew by an annual 10% on Export markets. The Group exhibited extraordinary performance particularly in its strategic product group of thermal insulation system, but there was a growth in the building industry accessories too. The distribution of roofing foils and accessories, dry construction systems and heat, sound and water insulation materials saw a slight decrease in 2019 compared to the previous year. The Group achieved exceptional growth in Austria, but there was a similar increase in sales in Italy, in Germany and in Greece.

The Group exhibited a 5% rise on its Romanian market, also one of its major markets. The turnover of fibreglass mesh products, belonging to the thermal insulation system product group, increased mainly compared to the base in 2019, but the sales of roofing foils and accessories also improved significantly. The turnover of the dry construction system slightly decreased, further the turnover of the other product groups also dropped compared to 2018.

The **Group's** sales in Serbia decreased by 1% in 2019 compared to the base year. Sales revenue in thermal insulation system product group increased, within the fibreglass mesh revenue was higher, while EPS sales was smaller. There was also a growth in the heat, sound and water insulation materials while the turnover of the dry construction materials and building industry accessories saw a decline.

In Ukraine, the **Company's** turnover closed the year with a 13% increase compared to the previous year. Sales turnover was higher across all product groups except for the roofing foils and accessories. Sales revenue increased significantly in the largest group, at the thermal insulation system products, where sales of fibreglass mesh (not manufactured by the Group) accounted for the greatest share. The **Company's** turnover also increased notably in the heat, sound and water insulation materials product group.

The **Group's** sales revenue decreased by 7% on the Polish market compared to the 2018 base year. The turnover of fibreglass in the thermal insulation system product group, which accounts for a large portion of sales in Poland was stagnated. Regarding the other product groups, at the roofing foils and accessories and at the building industry accessories the revenue was higher while there was a decrease in the other product groups present on the market.

The Company achieved a 1% increase in turnover in Slovakia in the year under review. Sales of thermal insulation system products expanded the most, but the building industry accessories also increased. In the other product groups the turnover decreased slightly compared to the base.

The **Group's** turnover also increased by 1% in Croatia compared to 2018. Sales of thermal insulation system products, roofing foils and accessories and heat, sound and water insulation materials increased, while sales in the other product groups decreased. The greater decline was in the dry construction system product group.

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In North Macedonia with the smallest share of turnover, the revenue decreased by 6% in 2019 compared to the previous year. Sales revenue from profiles, part of the dry construction systems product group and the sales of building industry accessories increased while there was a drop in the other product groups. Sales revenue from fibreglass, within the group of thermal insulation system products, decreased the most.

### Masterplast's consolidated profit or loss

The following table shows Masterplast's consolidated audited profit or loss statement according to the total cost type profit or loss statement in EUR thousand.

Profit or loss statement (thousands of EUR)	31 December 2019	31 December 2018	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
Sales revenues	107 104	97 340	9 764	10%
Materials and services used	-87 808	-79 203	-8 605	11%
Payments to personnel	-14 027	-11 548	-2 479	21%
Depreciation, amortisation and impairment	-2 085	-1 915	-170	9%
Movements in self-produced inventories	1 838	24	1 814	7468%
Other operating income (expense)	219	-579	798	-138%
<b>OPERATING PROFIT</b>	<b>5 242</b>	<b>4 120</b>	<b>1 122</b>	<b>27%</b>
Interest received	77	74	4	5%
Interest paid	-554	-555	1	0%
Other financial (expense) income	572	-14	586	-4104%
Financial loss	96	-495	591	-119%
Profit or loss attributable to associates	-12	0	-12	-6166%
<b>PROFIT BEFORE TAX</b>	<b>5 326</b>	<b>3 625</b>	<b>1 701</b>	<b>47%</b>
Income tax	-563	-299	-264	88%
<b>PROFIT FOR THE YEAR</b>	<b>4 763</b>	<b>3 326</b>	<b>1 437</b>	<b>43%</b>
EBITDA	7 327	6 035		
EBITDA ratio	6,8%	6,2%		
Earnings per share (EPS) (EUR)	0,32	0,23		

Source: consolidated audited report of the Company on 31st of December 2019 and audited report on 31st of December 2018 based on IFRS accounting rules

The consolidated annual turnover for the year 2019 amounted to EUR 107 104 thousand, which corresponds to an increase of 10% compared with the value of the reference period.

In line with the prevailing commodity and basic material prices and exchange rate trends, the Group continued to follow a sales strategy in 2019 for its strategic products that took into account the position of the markets and the price fluctuations of products, focusing on maximising the margins that also include transportation costs.

Thanks to the improving sectoral environment on some of its markets, the Group managed to slightly increase its trade margin with rising turnover in 2019 compared to the base period. The Group's trade

margins increased on the Croatian, Polish and Export markets for the entire year, but the realized margin volume grew also in the Hungarian and Romanian markets.

There was a growth in the production output of traditional fiberglass mesh and EPS, while the profile production in Serbia and the foam production in Kál dropped in 2019 compared to the base period. Mainly driven by the expanding output from Subotica, the **Group's** manufacturing efficiency improved, and the production profit increased compared to the previous year.

Due to the growing manufacturing output and growing sales revenue, the **Group's** manufacturing raw material and other material costs increased, just as its fuel and energy costs. Meanwhile the foreign transport costs and maintenance and repair costs decreased in 2019 compared to the base period. The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 9% versus the turnover expansion with 10%.

As a result of the expanding headcount of the fiberglass mesh factory in Serbia and due to the payrises the personnel expenses of the Company have increased by 21% in 2019 compared to the base period. The Group had 1 099 employees at the end of 2019 opposed to the staff level of 925 people of the base period. 486 people were employed at the production unit in Subotica at the end of 2019, compared to the level of 370 staff at end of December 2018.

The Serbian and Kál manufacturing investment projects increased the **Group's** depreciation.

Other operating expenditures improved in 2019 compared to the base **period's** loss, whenas the released accruals for fiberglass mesh production in Serbia improved the result for the period.

As a result of all of the above factors, the **Group's** EBITDA was EUR 7 327 thousand (6.8% EBITDA ratio) in 2019 compared with the EUR 6 035 thousand (6,2% EBITDA ratio) in the reference period. The net income of its business activities came to EUR 5 242 thousand in 2019 compared with EUR 4 120 thousand in the reference period.

The **Group's** interest revenues increased just as the interest expenditures also improved in 2019 compared to the base period.

The majority of other income/expenses of financial operations include currency exchange results. The Group procures most of its products in EUR and USD, which are then resold in the local currency, so the exchange rate fluctuations of local currencies significantly influence the **Group's** financial results. Since the currency of most countries is pegged to the Euro, even the movement of EUR/USD, in case of procurements in USD, has an impact on its currency exchange results. In 2019 the Company had hedging transactions in EUR/USD related to its procurements, so the other results of financial operations also included the closing and revaluation results of these hedging transactions. The Hungarian entity (Masterfoam Kft. és Masterplast International Kft.) has working capital loans denominated in EUR, while the Serbian subsidiary also has an investment loan denominated in EUR.

The Group recognized as other financial income a EUR 572 thousand gain in 2019 compared to the loss of EUR 14 thousand in the base period. The favourable exchange rate result was due to the

weakening Hungarian forint against the euro and the strengthening Ukrainian hryvnia against the dollar.

Also considering the financial results, the **Group's** profit after tax came to EUR 4 763 thousand in 2019 as opposed to the EUR 3 326 thousand profit in the reference period.

In summary, amidst a slightly moderated but mostly positive market environment, the **Group's** sales revenue exceeded last **year's** base by 10% in 2019. Taking advantage of the positive industrial trend and market embed, in respect of value, the Hungarian turnover increased the most, while in respect of product range, the greatest turnover expansion occurred in the own produced products (fibreglass mesh) of the Group. In 2019, the **Company's** trading margin slightly increased as did the **Group's** production output. Also considering the volume change of own produced inventories, costs incurred in connection with materials and services used grew by 9% versus a 10% increase in its sales revenue. The personnel expenses increased in 2019, as did the depreciation costs, while other operating expenditures improved compared to the base **period's** loss.

As a result of all of these, the **Group's** EBITDA was EUR 7 327 thousand versus EUR 6 035 thousand during the reference period. The **Group's** financial earnings also improved so the **Group's** net earnings for 2019 exceeded the reference **period's** profit by EUR 1 437 thousand (43%).



**The Company's financial position**

Balance sheet (thousands of EUR)	31 December 2019	31 December 2018	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	37 193	35 455	1 739	5%
Intangible assets	191	207	-16	-8%
Investments in associates	321	34	287	850%
Deferred tax assets	362	304	59	19%
<b>Non-current assets</b>	<b>38 067</b>	<b>35 999</b>	<b>2 068</b>	<b>6%</b>
<b>CURRENT ASSETS</b>				
Inventories	21 257	23 060	-1 803	-8%
Trade receivables	14 471	12 453	2 018	16%
Taxes receivable	784	1 076	-291	-27%
Other current financial assets	2	23	-21	-90%
Other current assets	1 767	1 773	-6	0%
Cash and cash equivalents	4 530	2 090	2 441	117%
<b>Current assets</b>	<b>42 812</b>	<b>40 475</b>	<b>2 337</b>	<b>6%</b>
<b>TOTAL ASSETS</b>	<b>80 880</b>	<b>76 474</b>	<b>4 406</b>	<b>6%</b>
<b>EQUITY</b>				
Share capital	5 504	5 504	0	0%
Reserves	22 438	20 929	1 509	7%
Redeemed treasury shares	-381	-21	-361	1730%
Parent company's share of the profit or loss	4 573	3 283	1 290	39%
<b>Equity attributable to parent company's shareholders</b>	<b>32 133</b>	<b>29 695</b>	<b>2 438</b>	<b>8%</b>
Non-controlling interests	473	288	185	64%
<b>Equity</b>	<b>32 606</b>	<b>29 983</b>	<b>2 623</b>	<b>9%</b>
<b>LONG-TERM LIABILITIES</b>				
Long-term loans	3 864	6 051	-2 187	-36%
Liabilities from issued bonds	18 136	0	18 136	0%
Deferred tax assets	266	182	84	46%
Deferred income	3 748	4 068	-320	-8%
Other long-term liabilities	695	721	-27	-4%
<b>Long-term liabilities</b>	<b>26 709</b>	<b>11 021</b>	<b>15 687</b>	<b>142%</b>
<b>CURRENT LIABILITIES</b>				
Short-term loans	5 853	18 376	-12 523	-68%
Trade payables	10 728	12 774	-2 046	-16%
Short-term financial leasing liabilities	290	289	1	0%
Other current financial liabilities	92	0	92	36015%
Taxes payable	1 047	641	406	63%
Current part of deferred income	626	934	-308	-33%
Provisions	219	187	32	17%
Other current liabilities	2 710	2 269	441	19%
<b>Current liabilities</b>	<b>21 565</b>	<b>35 470</b>	<b>-13 905</b>	<b>-39%</b>
<b>TOTAL LIABILITIES</b>	<b>48 273</b>	<b>46 491</b>	<b>1 782</b>	<b>4%</b>
<b>EQUITY AND LIABILITIES</b>	<b>80 880</b>	<b>76 474</b>	<b>4 406</b>	<b>6%</b>

Source: consolidated audited report of the Company on 31st of December 2019 and audited report on 31st of December 2018 based on IFRS accounting rules

## MASTERPLAST PUBLIC LIMITED COMPANY

As of 31 December 2019, the **Group's** assets were worth EUR 80 880 thousand meaning an increase of EUR 4 406 thousand over the closing value of the reference period.

As of the end of December, the value of fixed assets was EUR 38 067 thousand which was EUR 2 068 thousand higher than the closing value of assets on the cut-off date of the reference period. The increase stemmed from the Subotica fibreglass facility investment. The Corporate Group spent a total of EUR 3 587 thousand for investments and for the replacement of other assets in the reporting year.

The inventories of the Group amounted to EUR 21 257 thousand at the end of December 2019, which is EUR 1 803 thousand smaller than the closing inventory of the reference period. As a result of the Company's successful inventory management, the inventory level was reduced by 8% with increasing sales and production output.

The **Group's** trade receivables grew by 16%, EUR 2 018 thousand compared with the 2018 reference period, which is due to the increased sales to T-CELL Plasztik Kft., as the Masterplast has become its primary raw material supplier following the acquisition.

The **Group's** stock of trade payables decreased and was EUR 2 046 thousand lower than in 2018.

The Company issued a total of 6 billion HUF (EUR 18 136 thousand) nominal value of bonds under Growth Bond Program announced by the National Bank of Hungary to refinance existing loans, which resulted in a decrease of 18 136 thousand EUR in short-term and long-term loans and in an increase in the liabilities related to bonds in the balance sheet by same amount.

The deferred income also dropped (-13%) in 2019 related to the government grants to investments compared to the base.

The **Group's** cash and equivalents amounted to EUR 4 530 thousand as of 31 December 2019, which was EUR 2 441 thousand higher than the closing stock in the same period of 2018.

The Group participated in the Growth Bond Program announced by the National Bank of Hungary, in the framework of which Masterplast Plc. issued bond with a nominal value of 6 billion HUF. The bonds were launched on the BSE Xbond market on 18 February 2020. Information about the bonds can be found at the following links:

Information document:

[https://bet.hu/site/newkib/hu/2020.02./Informacios\\_dokumentum\\_kotvenyek\\_regisztraciojahoz\\_128355993](https://bet.hu/site/newkib/hu/2020.02./Informacios_dokumentum_kotvenyek_regisztraciojahoz_128355993)

Bond Auction Result:

[https://bet.hu/site/newkib/hu/2019.12./Bejelentes\\_kotveny\\_aukcio\\_eredmenyet\\_erintoen\\_128331410](https://bet.hu/site/newkib/hu/2019.12./Bejelentes_kotveny_aukcio_eredmenyet_erintoen_128331410)

Bond formation:

[https://bet.hu/site/newkib/hu/2019.12./Bejelentes\\_kotveny\\_aukcio\\_eredmenyet\\_erintoen\\_128331410](https://bet.hu/site/newkib/hu/2019.12./Bejelentes_kotveny_aukcio_eredmenyet_erintoen_128331410)

Xbond registration:

[https://bet.hu/site/newkib/hu/2020.02./Bejelentes\\_kotvenyek\\_regisztraciojat\\_illetoen\\_128355951](https://bet.hu/site/newkib/hu/2020.02./Bejelentes_kotvenyek_regisztraciojat_illetoen_128355951)

## Financial and other management indicators

Financial and other management indicator		2019	2018
Current ratio		1.99	1,14
Interest coverage ratio		13,2	10,9
Accounts receivable turnover ratio	days	49	46
Accounts payable turnover ratio	days	44	48
Inventory turnover rate	days	71	85
EBITDA ratio	%	6,8	6,2
Debt ratio	%	60	61

Source: data from the Company's management information system

## Research and development activities

According to the **Company's** strategy, developments mainly focused on the roofing foil and fibreglass product category and existing production.

Regarding the roofing foil product category the technical properties of diffusion roofing foils have been developed. The stock of equipment did not change notably, however several new materials and components have been tried out by testing their usability and the beneficial effect on the properties of the final goods. As a result of the development many modifications have been made on the wind-insulating roofing foils, which have resulted in more favourable performance.

In cooperation with strategic suppliers in the Far East, two completely new vapor technique foils, which have not been included in **Masterplast's** supply so far, will be launched on the market in early 2020.

In the fibreglass product range, in 2019 compared to previous years, the focus was not on the development and transformation of the machine park, next to the production control and strengthening production processes the testing of new components, modifying recipes and developing new products was significant. At many products the performance has been improved, just as the quality levels - and at many products the cost has been reduced. New products according to market needs have been developed.

In the case of Isofoam production, the year 2019 was spent with developing new products and changing the recipes and technological settings of existing products. As a result of the developments, the product portfolio has been expanded: with high-density foams and with wide range of sizes and types of foam boards.

Developments were implemented with own resources and professional support from our suppliers. The Group plans to continue developments linked to production and strategic products in the years to come.

## Environmental protection

The Corporate **group's** operating area, sales, logistics and production facilities do not qualify as environmentally hazardous technologies or key risk operations. That said, as a responsible corporation, the Company complies with the applicable environmental protection requirements, and strives to think and operate of the curve in numerous areas without substantially increasing its costs.

The Company applies conscious waste management at its premises, including selective waste collection and in-house recycling.

In 2019, the specific waste volume in fibreglass mesh production was significantly reduced by increasing the discipline of production technology, with smaller but important machine improvements supporting better and less waste generation.

In both its logistic and production operations, pay close attention to energy consumption, which is both an economic aspect and reduces CO2 emissions. In terms of transportation capacity, in 2019 a large part of the fleet was replaced with more modern and environmentally friendly vehicles.

Masterplast Nyrt. applies the ISO 50001:2011 Energy management system standard at its Sárszentmihály location, and has continued the operation of the Energy management systems in its Hungarian subsidiaries.

## Short-term plans

Macroeconomic forecasts predict a slowing but buoyant booming on the construction market. The positive trend may not only remain in Hungary, which is the largest markets in terms of weigh, but also in the neighbouring countries and also in export target countries (Western Europe) in 2020. Government incentives in certain countries (Hungary, Ukraine, Slovakia, Serbia) also foster a positive economic environment, and have a stimulating effect on both the new home construction and the renovation market which is of key importance to Masterplast. By the second half of the year, the growing number of renovations may intensify compared to the new constructions started. The Group still expects double-digit growth in 2020 in its best-performing markets (Hungary, Export countries, Slovakia, and Poland) and plans growth in other markets as well. The increased turnover on the Hungarian and Export markets will be better supported by increased production efficiency and by the start of the production of roofing foils located in Sárszentmihály in 2020. With the establishment of the new organisation in Romania better earnings is supported by more efficient operation and the developed new trade policy for 2020. The Company continues to expect an economic upturn in Serbia within the construction industry, with increased sales turnover and profit. Market expectations in Croatia are positive, and the objective for the upcoming years is the stable operation after the optimized the organisation. Masterplast hopes to see the construction industry continue to perform well in Poland and Slovakia, and expects increased sales revenue too.

One of the main objectives for 2020 is to achieve higher utilisation of the increased capacity in the Serbian fibreglass mesh facility next to the continuously improvement in product quality and boost

in production efficiency. In the context of foam foil manufacturing in Kál, the stabilization of increased production output supports further reduction in fixed costs. The launched roofing foils production investment is completed in spring 2020 in Sárszentmihály and will contribute to the further increase of competitiveness and market share in this product range. The acquisition of EPS factory in 2019 (T-CELL Plasztik Kft.) enables to expand in the Hungarian market in 2020, and further strengthens the market position in the Hungarian market by exploiting synergies. The Company furthermore takes the wage inflation into account in Central and Eastern Europe. In addition, Masterplast intends to continue the inventory level optimization launched in 2019, whereby keeping commercial goods and raw materials at the adequate level can be increased the financial situation.

The Company continues to strive to optimise its operations and to continuously improve its profit-earning capacity. Due to the constant unpredictable and unforeseeable changes in the economic environment, continuous and rapid adaptation to market needs is paramount. As a result, the Company also aims to broadly develop its sales staff in an effort to boost its market presence.

Besides the Ukrainian geopolitical risk, planned earnings may be shaped by the EUR/HUF, EUR/UAH, EUR/RSD, EUR/USD exchange rates, EURIBOR and BUBOR interest levels as well as potential changes in the legislative environment.

The above short-term plans may be fundamentally rewritten by the economic impact of the COVID-19 virus, which potential effects explained in a separate section

#### The Company's long-term strategy

At the end of each year, the Corporate Group defines the essence of its strategy for the upcoming years that will be decisive in shaping and implementing its decisions for the period ahead. At the end of 2019, the Company developed a vision for 2030, then defined strategic cornerstone and outlined its main directions for the period ending in 2021.

Masterplast will start the fourth decade of its operation in 2020 in a good base position with strengthened with a secure financing background, a competitive product portfolio, and a team in good condition. Masterplast has re-entered a growth path over the past 3 years and became a real manufacturer over the past decade.

Its key strategic principles are focused and efficient operations, and the spirit of which the Company wishes to excel in all areas of operation.

Its key focus is still to create customer value, and a background for this is provided by its expanding manufacturing activity and continuous development of its services.

The Group still aims to become a leading distributor of thermal insulation system elements in the Central and Eastern European region and to become the second largest seller of fibreglass and roofing foil on the entire European market.

Focused and efficient operation includes partial strategies for geographic areas, products, markets and buyers both at the Group, subsidiary and export level.

- The Masterplast **group's** distributor subsidiaries serve construction material traders, procurement companies and hardware store chains. The structure of the construction material trade sector differs from one country to the next, so a unique sales policy will be created for every market to ensure the best possible efficiency. The overarching central element of its service portfolio is fast and reliable service fostered by its efficient shipping system and permanent inventory. Professional competency and thereby increasing expert status are priority objectives, which are also reinforced by direct communication with contractors. Significant strategic goal is to give special support to the partners operating with web sales activities, which are facing great growth, and to provide them with a customized service.
- Increasing export activities will allow the reinforcement of the **Group's** market position in fibreglass and roofing foil and the targeted increase in market share within the segment and Western European and southern European countries. In these product groups, the broad product range and developing manufacturing background will ensure increasing competitiveness. The price to value ratio and reliable quality is what first and foremost represents value for partners, in addition to the certificates provided with the products.
- The optimal level of services that partners truly find valuable was defined for every country and product group. The product and service packages created from this offer a competitive alternative that can give our partners the opportunity for business development.
- The **lion's** share of the product portfolio consists of facade thermal insulation, high roof insulation material and dry construction system elements. The strategic objective is to place increasing focus on products, allowing the Group to be a true market leader and expert in all of its markets in multiple segments of the construction industry.

The Group plans to reinforce and improve its market position in strategic product groups by further increasing and developing its current own production capacities. The **Group's** objective with these product groups is to become a major industry benchmark within the region. The focus of development is to create lean processes and also to continuously develop expertise, continuously improve the quality and further boost competitiveness across all products.

- The production capacity expansion of the Corporate **Group's** Subotica facility will be completed in 2020 by improving the efficiency of the existing machinery. This will allow the plant to produce a broader range of products and supply high quality products with a competitive price to value ratio to the Group. The development of the fibreglass knowledgebase will be continued, which may provide a good foundation for non-construction industry expansion with fibreglass products in the future.
- A new machine line capable of producing high-quality products will be launched in the Kál unit in 2018, which will allow the Corporate Group to produce new products and reach new markets within the construction industry. The doubled capacity will be able to meet high standard industrial requirements and also allow more cost-effective production.

- At the beginning of the strategic period, the Corporate Group started investigating the main topics of further developing its own manufacturing capacity. Thanks to its potential investments, Masterplast may be able to cover a significant portion of the supply of strategic products from its own production, offering exciting new opportunities in domains of industrial use.

Sustainability fosters long-term, safe and profitable operation through supply safety and continuous risk management.

These strategic objectives have created a clear concept for the future that the **Company's** staff can identify with, and which motivates them to work harder and to strive to achieve it. Every employee is maximally committed to continuous development and maintaining high performance levels. In addition, the Group believes that continuously developing its talented managers and workforce is a cornerstone of success.

#### Risk management policy

##### Total credit risk

The Group supplies the goods and services to numerous customers. Given its contract volumes and the creditworthiness of its buyers, the Company does not face any significant credit risk. The control mechanisms in place at the **Group's** subsidiaries, operated according to its international receivables management policy, ensure that sales are only made to customers with a sound financial background in order to decrease the **Group's** credit risk.

Loans provided by bank are assessed at a group level, which includes the risk of performance related assessments for subsidiaries. In order to autonomously fund their operations, subsidiaries also borrow from their local banks in the form of investment and working capital funding loans.

The largest amount that can potentially be exposed to credit risk is the balance sheet value of financial assets, including the transactions decreased by impairment included on the balance sheet.

##### Interest rate risk

The **Group's** management deems that the interest rate risk stemming from variable interest rate loans is not significant as the adjusted interest amounts defined by banks in the wake of the financial crisis are not as substantial and can be covered from the **Group's** operating profit.

##### Liquidity risk

The **Group's** liquidity policy requires it to hold sufficient liquid assets and the availability of credit lines to implement its Financial Strategy. On 31 December 2018, the Group had a EUR 37 million credit line which includes short and long-term credit lines, the letter of credit and the guarantee credit lines. The **Group's** credit opportunities offer adequate solvency and financial flexibility for achieving its strategic objectives.

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### Geographic risk

The majority of subsidiaries constituting the Group is located in Central Europe, but the Group also has subsidiaries in Ukraine. This relative dispersion nevertheless does not pose much risk as the Corporate Group has created local groups (regions) to oversee and improve subsidiary operations. These local groups are managed and overseen by specialised regional management.

### Country risk

The **Group's** activities and success was shaped by the political, macroeconomic and general government financial situation in Central-Eastern, South-Eastern and Eastern European countries. Potential changes in the political and macroeconomic environment may have a negative impact on the Group's activities and its profit generating capacity.

### Exchange rate risk

Masterplast procures its products primarily on a USD and EUR basis and sells them in the local currency of its subsidiaries, which creates currency exposure for the Group. As the currency of the majority of the **Group's** country portfolio is euro-based (with the exception of the Ukraine), fluctuations in local currencies relative to the euro and fluctuations in the EUR/USD exchange rate for products procured based on the USD impact the exchange-rate effect of its trading activities.

Exchange rate risk is managed by Masterplast centrally at the Group level and at the subsidiary level under the coordination of the parent **company's** CFO. The optimal coverage strategy is defined as part of annual financial planning and is implemented by the Group's following approval.

The entities in Hungary have working capital loans disbursed in euro and the Serbian subsidiary has a euro-based investment loan.

### Taxation risk

The group constantly monitors and keeps track of changes in statutory regulations, and if legislative changes that affected the Group are adopted, it immediately takes the necessary measures and creates or changes its rules of procedure. As a result, there are no significant taxation risks identified by management.

### Management of capital risks

- Dividend policy

If the Group is unable to find development and acquisition targets to fuel its growth, it may pay dividends to its shareholders based on an individual Board of Directors decision, given adequate profitability.

- Raising capital

Masterplast did not raise capital in 2019 but may secure funding by raising capital in the future to implement its future strategic plans. The Group, with the exception of individual cases, does



not plan to raise capital for its subsidiaries with shareholder approval, and funds increases in equity from the profit of previous years.

- Optimal capital structure

With the capital raised in 2012, the **Group's** equity/liability ratio improved significantly, which it intends to maintain in the future in an effort to reduce liquidity risk (stemming from unpredictable money markets).

- Maintaining operability

In order to maintain its smooth financial operability, the Group continuously strives to postpone and extend the payment deadlines of contracts and transactions with its suppliers in an effort to offset late payments from its buyers.

#### Ethical norms

The Company pays special attention to observe the human rights, fight against corruption and prevent bribery. The Company have a Code of Ethics, which covers the followings:

- Regarding to the clients, among other things, to protect information, regulate fair business, handle conflicts of interest, business gifts, representation, and hospitality control, and the prohibition of bribery and corruption.
- Regarding to the employees of the Company or its affiliates, communication between the employees, contact with the management, non-discrimination, work-related requirements, protection of values, labor health and safety issues and health protection.
- Regarding to the shareholders of the Company, among other things, the prohibition of insider trading, the handling of confidential information held by the Company, the protection of corporate property, and the intellectual properties of the Company.
- In relation to the Company and the society, public participation, prohibition of child and forced labor, corporate social responsibility and environmentally awareness.

The Code of Ethics regulates the personal responsibility for the above. It regulates the additional requirements from the leaders and the obligation of notification in case of breach of the Code and the sanctioning of ethical offenses and violations. The Codex also arranges for compliance with the rules.

In addition, the Company has an internal audit system. The internal auditor brings into focus the respect for human rights, the fight against corruption and the prevention of bribery. Any abuses or breaches of the rules can be reported to the internal auditor in an anonymous manner by employees or other stakeholders. The internal auditor reports her work to an independent Audit Committee.

### Overview of premises

In 2019 in order to expand the site in Sárszentmihály, 22 240 sqm of unbuilt land was purchased from the Sárszentmihály Municipality. In Kál, the Company's building stock was expanded with an 813 sqm warehouse. The Corporate group's own premises include 335 thousand sqm of land, nearly 6 thousand sqm of office space, 22 thousand sqm of production facility space, 59 thousand sqm of warehouse space and 92 thousand sqm of parking lots and roads.

There is ongoing maintenance and technical maintenance of buildings, public utilities and outdoor tiled areas.

In 2019, the Company complied with the renewal of the ISO 9001: 2015 Quality Management System Standard launched in 2018, the ISO 14001: 2015 Environmental Management System Standard and the ISO 50001: 2011 Energy Management System Standard.

### Management and structural subsequent events

The Company continued its organizational development program launched in previous years, marked "MASTERPLAST 2.0". Introduced by the CEO appointed in the summer of 2018, the innovative and long-term sustainable decentralized business model and empowering leadership have entered a phase of stability. The business units of the Group operate with significant sovereignty and are able to develop in a constant way. The key to the success of decentralized operations is a collaborative working model, the expansion of the competencies of each division and an organization and corporate culture that is well adapted to changes in the economic environment.

The keystone of Masterplast's success is the organizational culture that prioritises the market focus, the individual responsibility and the entrepreneurial spirit. The Company is built on the value creation of its employees, committed to maintaining long-term working relationships and individual development.

The **Company's** future goal is to update and reinforce these values by involving the employees. As a result of the joint work in the first step, the Group's vision and mission, as well as the cornerstones of the corporate culture were renewed.

To further strengthen collaboration between management and employees, the MasterApp mobile app has been introduced at the **Company's** headquarters to support employee engagement and internal communication. A modern platform that provides a simple, fast, and efficient solution for reaching colleagues working in different fields without a computer and / or email address, as well as providing ongoing employee feedback. The application is currently being developed and expanded to make the relationship between employer and employee even more direct and personal.

## Corporate Social Responsibility

According to **Masterplast's** *ars poetica*, only a successful corporation can allow itself to help others. As such, the Group has supported its environment since its establishment.

To make sure that help ends up in the right hands at the right time in a transparent manner, Masterplast implements its corporate social responsibility programme based on carefully defined principles. Therefore, the Corporate Group adheres to strict ethical norms when making donations and expects the same of all of its employees. Decisions regarding donations are made based on professional, strategic and ethical principles. The Company strives to create its charitable work strategy, so that it benefits both society as a whole and the Group by creating value.

Since 2012 the Company has helped the VIDEOTON FCF Ring of Friends implement its sports development programmes. With its support, Masterplast allowed the Ring of Friends to organise the “**Small Sided International Football Championship, Family Sports and Health Days**” in the context of the 19th Masterplast Fehérvár Football Festival.

It is a priority for the Corporate Group to participate in the economic and social life of its local environment more than as just an employer, and to support foundations and associations working for the sake of social responsibility.

The Company joined the KÉPES programme as a supporter; the programme was created in 2013 by a group of Székesfehérvár-based companies and the municipal government of Székesfehérvár. The KÉPES programme, or the Community Value Creation Programme — Together for Székesfehérvár! [Közösségi **Értékteremtő** Program – Együtt Székesfehérvárért!] aims to come up with solutions that create lasting value for the local community as a joint effort between the business world and the municipal government. Masterplast provides product and expert support for the **program's** projects and its employee team contributes with voluntary work.

As a firm believer in corporate social responsibility, Masterplast, in conjunction with its employees and partners, has been a supporter of the Hungarian Child Ambulance Foundation [Magyar **Gyermekmentő** Alapítvány] since 2015.

In the context of this now traditional collaboration project launched at the initiative of workers, the Company provides targeted help for the Foundation for the procurement of special medical diagnostic and educational tools. In the context of its end-of-the-year “**Let's all save children together**” [“**Legyünk együtt gyermekmentők!**”] initiative, the **Company's** partners also contribute to the **donation's** financial basis with their purchases. The amount required for purchasing the targeted equipment will be achieved with the help of **Masterplast's** additional own donations. In 2019 the Company once again donated a generous HUF 1 920 thousand to the Hungarian Child Ambulance Foundation. This amount was a significant contribution for the procurement of a mobile medical many laboratory device. The Masterplast family is proud that over the past years, thanks to its close collaboration with partners, it has contributed over HUF 7 million to the Foundation.

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During the cooperation, in 2019 the Masterplast – MGYA (Magyar **Gyermekmentő** Alapítványt [Hungarian Child Ambulance Foundation]) series of first aid courses was continued for teachers of educational institutions. As the first few minutes are essential in a medical emergency, it is important that teachers dealing with students possess the right knowledge. It is in recognition of this fact that the Company, hand-in-hand with the Hungarian Child Ambulance Foundation, launched the **“Masterplast first aid course”** at the end of 2017 to inform the teachers what they can do in the event of an emergency. Over 500 teachers so far have taken part in the courses. **Masterplast’s** mission is to expand the first aid training project from an urban to a county scale and, in the longer run, to a national scale.

### Corporate governance

The Consolidated Annual Report drawn up according to the applied accounting requirements provides a true and accurate overview of the assets, liabilities, financial situation and earnings of Masterplast Nyrt. and its undertakings included in the consolidation. Moreover, the Annual Report gives a reliable picture of the situation, development and performance of Masterplast Nyrt. and its undertakings included in the consolidation, presenting the main risks and factors of uncertainty.

The Group will do its best to operate in accordance with the statutory and regulatory requirements and in line with the principles of ethical business conduct. Therefore, the Company places particular emphasis on the corporate governance recommendations of the Budapest Stock Exchange in its day-to-day operations and regulation. The documents available on the following website: [https://www.masterplastgroup.com/document\\_folder/tarsasagiranyitasi-dokumentumok/](https://www.masterplastgroup.com/document_folder/tarsasagiranyitasi-dokumentumok/).

### Equal opportunity and diversity

The Group does not apply Diversity Policy, but it pays great attention to the diversity of cultural and social environments, as well as the diversity of employees, varying from country to country. Takes care of non-discrimination and equal opportunities and equal treatment.

### Masterplast Employee Shared Ownership Program

Masterplast Nyrt. established the MASTERPLAST Employee Shared Ownership Program on 14 December 2016. The MRP organization is based in: 1062 Budapest, Andrásy út 100.

Masterplast Nyrt. (Founder) has established the MRP organization to efficiently conduct incentive remunerations related to Masterplast's business goals (Participants).

The Participants of the MRP in 2019 were the employees of Masterplast Nyrt. and of by 100% controlled Masterplast Kft., Masterplast Hungária Kft. and Masterfoam Kft, where the Company's Remuneration Policies are applied and covered. The Founder assigned those leaders of the aforementioned companies to the Participants, who had the greatest impact on the achievement of the **company’s** business goals set out in the Remuneration Policies.

## Subsequent events

The Masterplast in massive market embeddedness and with stable liquidity position has been faced with the current situation called forth by the spread of COVID-19 virus. In terms of the industry, for now it is clearly outlined that in the first round the construction and building material industry has been less severely affected by the current situation. The operating environment has deteriorated observably, but nowhere was it impossible, and the effects may occur in the medium to long term unless targeted government programs do not neutralize this. In the period so far of the crisis, the Group worked with calm-balanced thinking and consciously to ensure that the Company can operate effectively even with declining demand. The goal of Masterplast is also to be able to start from the best possible positions in parallel with the restart of the economy. By rationalisation of the operating processes, optimizing inventories, saving measures and managing receivables efficiently Masterplast is adapting to the conditions caused by declining demand with keeping the business continuity stable and maintaining the high standard of service.

The Group constantly researching alternative business opportunities for the sale of mask and protective clothing raw materials, but we also support the community in the defence. As part of our social responsibility campaign, we provided the quantity required for the production of 20 000 face masks from own-produced diffusion roofing foil raw materials free of charge to various organisations and to individuals.

The Group hope that the targeted economic protection subsidies will also have a positive impact on the construction industry and can help to offset the declining demand. Already during the emergency, the rise of the building energy upgrades with renovation purposes can are expected to pick up, with bringing significant potential for Masterplast.

Considering the fact that coronavirus has appeared in Hungary and Europe in 2020, and epidemic as well as measures to mitigate the effect of expected recession were taken after the end of the reporting period, the Group considers it as a non-adjusting subsequent event in the 2019 financial statements.

Based on currently available assumptions the Group came to the conclusion that viability and liquidity position is not endangered for the 12 months following balance sheet date.

## Observations regarding the future

The Annual Report also includes observations regarding the future. These findings are based on the current plans, estimates and forecasts, so it would not be correct to rely on these findings any more than warranted. Observations regarding the future carry risk and uncertainty. The Corporate Group stresses that there are many important factors that may cause actual results to differ greatly from what is stated among the observations regarding the future.

Summary

In summary, amidst a slightly moderated but mostly positive market environment, the **Group's** sales revenue exceeded last **year's** base by 10% in 2019. Taking advantage of the positive industrial trend and market embed, in respect of value, the Hungarian turnover increased the most, while in respect of product range, the greatest turnover expansion occurred in the own produced products (fibreglass mesh) of the Group. In 2019, the **Company's** trading margin slightly increased as did the **Group's** production output. Also considering the volume change of own produced inventories, costs incurred in connection with materials and services used grew by 9% versus a 10% increase in its sales revenue. The personnel expenses increased in 2019, as did the depreciation costs, while other operating expenditures improved compared to the base **period's** loss.

As a result of all of these, the **Group's** EBITDA was EUR 7 327 thousand versus EUR 6 035 thousand during the reference period. The **Group's** financial earnings also improved so the **Group's** net earnings for 2019 exceeded the reference **period's** profit by EUR 1 437 thousand (43%).

The further development of the fiberglass mesh and EPS plant in Subotica which operates at full production capacity and the production capacity of the T-CELL Plasztik Kft., which was acquired in the 2019 business year, and the exploitation of the synergies created by the acquisition provide a stable background for the further expansion of the thermal insulation and dry construction systems.

The Company expects its industry environment continued to remain positive in the years to come, which may provide the basis for achieving the earnings targets defined in its strategic plans given the Group's improving production and operating efficiency.

